

City of Detroit


CITY COUNCIL

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TO: COUNCIL MEMBERS

FROM: Irvin Corley, Jr., Director 

DATE: May 2, 2007

RE: 2007-2008 Medical, Dental and Optical Plan Rate Schedules for Active City Employees and Retirees **(Recommend Approval) Line Item 11 on Today's Calendar)**

Your Honorable Body has recently received from the Labor Relations Division of the Human Resources Department a package representing medical, dental and optical plan rate increases proposed for 2007-2008. Attachment I represents the Council letter from Human Resources and the accompanying resolution for Council action. Please note that I did not include the individual rate sheets; Council and the Clerk's office should have those.

It is my understanding that the Employees Benefit Board approved this rate increases late last week.

Attachment II shows in summary fashion the medical health care percentage increases from 2006-2007 to 2007-2008. As can be seen, the rate increases range from a negative of 3.9% to 13.6, but primarily average between a rate increase of 7 to 9%. On a test basis, I confirmed this level of rate increases by comparing the proposed rates for 2007-2008 to the 2006-2007 rates.

What is significant is that the major rate increases are in the single digit range. In recent years, medical rate increases were in the double digit range. And in the past, the double digit increases were minimized for the Blue Cross Blue Shield rates with a contribution from the Blue Cross Blue Shield Stabilization Reserve Fund.

For example, for the 2006-2007 BCBS rates, \$4 million was contributed from the BCBS stabilization reserve fund to minimize the BCBS rate increase to 11.22%, from a 13.71% increase without the reserve fund contribution.

But for 2007-2008, it is important for Council to note that there will not be a contribution from the BCBS stabilization reserve fund, and Attachment II shows the rate increase for BCBS Traditional, BCBS Community Blue, and BCBS CMM

(for LSA uniform employees) to be **just 7.6% for both actives and retirees**. Similarly, the rate increase for HAP-HMO is **7%** for both actives and retirees. In addition, Blue Care Network-HMO rate is increasing **9.9%** for both active and retirees. And, even for COPS Trust-Traditional, which is a plan similar to BCBS offered to uniform employees, the rate increases by **8%** for actives and **9.2%** for retirees.

The single main reason why the City was able to negotiate basically single digit rate increases is because of the alternative design plan changes agreed to by most civilian unions in the last year. As Council knows, the design changes resulted in employees contributing up to 20% of their pay for health care insurance (with the exception of about 10% of pay for BCBS Community Blue). The alternative plan design also required employees to pay higher co-pays on prescription drugs (\$5 for generic and \$15 for brand name), \$75 co-payment on emergency room visits resulting in a non-emergency service, \$10 co-pay for office visits and annual deductibles (\$175 for singles and \$350 for families) for traditional and PPO plans.

The design plan changes described previously has assisted in changing the behavior of employees to use their health care plans more carefully, which has resulted in significant savings to the City and to the health care carriers. As a result, the carriers were willing to negotiate lower overall health care plan increases.

It is also important to note that the City assumed for 2006-07 that the alternative plan changes would apply to uniform police and fire employees as well (see Attachment III). As Council knows, and fortunately for the City, the Act 312 Arbitration Award required that the design plan changes be implemented for the uniform employees, which will achieve significant savings for the City.

In regard to the dental plan rate proposed increases, there is basically only a 1% increase on average for the City and no increase for the employees, with the exception of a 22.4% increase in the employee co-pay for the COPS Trust Delta Dental plan. But that is still lower than the 27.5% increase in this rate born by the employee in 2006-07.

Lastly, in regard to the optical plan rates, there are no increases associated with both the City's contribution and the employee contribution.

Based on the above analysis, I recommend approval of the proposed 2007-2008 medical, dental and optical plan rate increases.

For Council's edification, even though the proposed rate increases hover around 7 to 9%, the Mayor's proposed 2007-08 budget assumes an overall health care cost increase of 5.1%. However, given the fact that now alternative plan changes apply to uniform employees as well, which require them to contribute up

to 20% of their pay for health care benefits (with the exception of just 10% for BCBS Community Blue), and the fact that uniform employees represent about a third of the City's work force, I feel that it is reasonable for the City to experience just a 5.1% increase in health care cost overall next fiscal year.

Attachments

ICJ:\ICORLEY\2007 2008 Health Care Rates.doc

cc: Council Divisions
Auditor General's Office
Roger Short, Chief Financial Officer
Pamela Scales, Budget Director
Renee Short, Budget Team Leader
Barbara Wise-Johnson, Labor Relations Director-Human Resources
Kandia Milton, Mayor's Office

April 27, 2007

HONORABLE CITY COUNCIL

Re: 2007-2008 Medical, Dental and Optical Plan Rate Schedules for Active City Employees and Retirees

Medical, Dental and Optical companies that provide benefits to active City of Detroit employees and their eligible dependents and retirees and their dependents have submitted rates to be in effect July 1, 2007. The Employees Benefit Plan Governing Board has examined these rates and certified them by Resolution. These rates are hereby submitted for final approval by your Honorable Body.

The Plans are as follows:

Medical Insurance

Blue Cross Blue Shield of Michigan
Blue Care Network
Health Alliance Plan
Total Health Care
U.S. Health (C.O.P.S. Trust)

Dental Insurance

Blue Cross Traditional Plus
DENCAP
Golden Dental
Teamsters Golden Dental
U.S. Health (C.O.P.S. Trust)

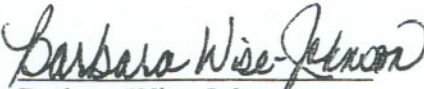
Optical Insurance

CO/OP Optical
Heritage Optical
Spectera Vision
U.S. Health (C.O.P.S. Trust)

Attached are schedules of monthly rates being charged for each plan.

In conclusion, the Governing Board of the City Employees' Benefit Board presents the various rates contained on the attached schedules and recommends that the City Council approve them for application.

Respectfully Submitted,


Barbara Wise-Johnson
Benefits Administration
Labor Relations Director


Walter Stampor
Executive Secretary
Employee Benefit Board


Sheila Kneeshaw
Vice-Chairperson
Employee Benefit Board

BY COUNCIL MEMBER _____:

RESOLVED, that the attached rate schedules for medical benefits for City employees and retirants, as submitted by Blue Cross/Blue Shield of Michigan, Blue Care Network, Health Alliance Plan, Total Health Care, and U.S. Health (C.O.P.S. Trust), are effective July 1, 2007 and be it further

RESOLVED, that the attached rate schedules for dental benefits for City employees and retirants, as submitted by Blue Cross Traditional Plus, DENCAP, Golden Dental Plan, Teamsters Golden Dental, and U.S. Health (C.O.P.S. Trust), are effective July 1, 2007 and be it further

RESOLVED, that the attached rate schedules for optical benefits for City employees and retirants, as submitted by CO/OP Optical, Heritage Optical, Spectera Vision, and U.S. Health (C.O.P.S. Trust), are effective July 1, 2007.

Attachment II

CITY HEALTH CARE PERCENTAGE INCREASE

FROM 2006-07 TO 2007-08

PLAN NAME	INCREASE FROM PRIOR YEAR	
	Active Employees	Retirees
BC/BS Traditional	7.6%	7.6%
Blue Care Network - HMO	9.9%	9.9%
Blue Care Network - Medicare Advantage	N/A	-3.9%
Blue Cross CMM	7.6%	7.6%
Blue Cross Community Blue PPO	7.6%	7.6%
COPS Trust - PPO (New Design)	13.6%	8.0%
COPS Trust - Traditional	8.0%	9.2%
HAP Sr. Plus	N/A	8.9%
Health Alliance Plan - HMO	7.0%	7.0%
Total Health Plan - HMO	11.0%	N/A

Attachment III

**2006-2007 Premiums and Contributions
for Active DPOA and (DFFA-Allied) Employees
Alternative Plan Designs
Effective May 1, 2007**

Revised 04-04-07

Type of Coverage	Blue Cross Semi-Private Traditional	C.O.P. Trust US Health PPO	Blue Cross Community Blue PPO	Health Alliance Plan HMO	Blue Care Network HMO	Total Health Care HMO
Monthly Premium Amounts						
One Person	\$562.18	\$450.77	\$322.90	\$377.50	\$337.43	\$266.42
Two Persons	\$1,183.55	\$1,019.46	\$677.56	\$845.60	\$755.84	\$555.12
Family	\$1,327.77	\$1,066.88	\$757.75	\$951.30	\$850.31	\$706.16
Family Continuation Dependents (Students Age 19 - 25 Add'l cost for each)	\$281.19	\$204.34	No Add'l Cost	No Add'l Cost	No Add'l Cost	No Add'l Cost
Sponsored Dependent (Employees hired on or before 8-28-03)	\$610.49	\$543.74	\$299.06	\$471.88	\$404.92	\$253.12
Sponsored Dependent (Employees hired on or after 8-29-03)	\$610.49	\$543.74	\$299.06	\$471.88	\$404.92	\$253.12
City Pays These Amounts Monthly						
One Person	\$449.74	\$360.62	\$290.61	\$302.00	\$269.94	\$213.14
Two Persons	\$946.84	\$815.57	\$609.80	\$676.48	\$604.67	\$444.10
Family	\$1,062.22	\$853.50	\$681.98	\$761.04	\$680.25	\$564.93
Family Continuation Dependents (Students Age 19 - 25 Add'l cost for each)	\$224.95	\$163.47	No Add'l Cost	No Add'l Cost	No Add'l Cost	No Add'l Cost
Sponsored Dependent (Employees hired on or before 8-28-03)	\$488.39	\$434.99	\$269.15	\$377.50	\$323.94	\$202.50
Sponsored Dependent (Employees hired on or after 8-29-03)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Employees Contribute These Amounts Monthly						
One Person	\$112.44	\$90.15	\$32.29	\$75.50	\$67.49	\$53.28
Two Persons	\$236.71	\$203.89	\$67.76	\$169.12	\$151.17	\$111.02
Family	\$265.55	\$213.38	\$75.78	\$190.26	\$170.06	\$141.23
Family Continuation Dependents (Students Age 19 - 25 Add'l cost for each)	\$56.24	\$40.87	No Add'l Cost	No Add'l Cost	No Add'l Cost	No Add'l Cost
Sponsored Dependent (Employees hired on or before 8-28-03)	\$122.10	\$108.75	\$29.91	\$94.38	\$80.98	\$50.62
Sponsored Dependent (Employees hired on or after 8-29-03)	\$10.49	\$43.74	\$299.06	\$471.88	\$404.92	\$253.12
City Pays These Amounts Bi-Weekly						
One Person	\$207.57	\$166.44	\$134.13	\$139.38	\$124.59	\$98.37
Two Persons	\$437.00	\$376.42	\$281.45	\$312.22	\$279.08	\$204.97
Family	\$490.25	\$393.92	\$314.76	\$351.25	\$313.96	\$260.74
Family Continuation Dependents (Students Age 19 - 25 Add'l cost for each)	\$103.82	\$75.45	No Add'l Cost	No Add'l Cost	No Add'l Cost	No Add'l Cost
Sponsored Dependent (Employees hired on or before 8-28-03)	\$225.41	\$200.77	\$124.22	\$174.23	\$149.51	\$93.46
Sponsored Dependent (Employees hired on or after 8-29-03)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Employees Contribute These Amounts Bi-Weekly						
One Person	\$51.89	\$41.61	\$14.90	\$34.85	\$31.15	\$24.59
Two Persons	\$109.25	\$94.10	\$31.27	\$78.06	\$69.77	\$51.24
Family	\$122.56	\$98.48	\$34.97	\$87.81	\$78.49	\$65.18
Family Continuation Dependents (Students Age 19 - 25 Add'l cost for each)	\$25.96	\$18.86	No Add'l Cost	No Add'l Cost	No Add'l Cost	No Add'l Cost
Sponsored Dependent (Employees hired on or before 8-28-03)	\$56.35	\$50.19	\$13.80	\$43.56	\$37.38	\$23.36
Sponsored Dependent (Employees hired on or after 8-29-03)	\$281.76	\$250.96	\$138.03	\$217.79	\$186.89	\$116.82

